

Message Text

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11

ACTION EUR-10

INFO OCT-01 IO-03 ISO-00 SWF-01 AID-05 CEA-01 CIAE-00

COME-00 EB-03 FRB-01 INR-10 NSAE-00 RSC-01 CIEP-01

SP-02 STR-01 TRSE-00 LAB-01 SIL-01 SAM-01 OMB-01

AGR-03 DRC-01 /048 W

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R 041713Z OCT 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7587

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

USMISSION GENEVA

USMISSION OECD PARIS

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E.O. 11652:N/A

TAGS: EAGR, ETRD, EEC, AU

SUBJECT: AUSTRIAN RETALIATION FOR EC BEEF IMPORT BAN

1. SUMMARY: AUSTRIA HAS INFORMED THE EC COMMISSION THAT, BECUASE OF THE COMMUNITY'S BAN ON BEEF IMPORTS, AUSTRIA IS WITHDRAWING CERTAIN CONCESSIONS TO THE COMMUNITY ON GRAPES AND WINE. END SUMMARY.

2. THE AUSTRIAN DCM HAS TOLD US THAT OCTOBER 1 HE AND HIS AMBASSADOR MADE A DEMARCHE TO COMMISSIONER
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GUDLEACH ABOUT THE EC BEEF IMPORT BAN. THEY SAID

THATA AUSTRIA HAD DECIDED TO TAKE "COMPENSATORY ACTION" ON TABLE GRAPES AND WINE FOR TRADE DAMAGE CAUSED BY THE EC'S BEEF IMPORT BAN AT A TIME WHEN AUSTRIA'S TRADE BALANCE WITH THE EC HAD SERIOUSLY DETERIORATED.

3. IN CONNECTION WITH THE EC-AUSTRIA FREE TRADE AGREEMENT WHERE HAD BEEN AN EXCHANGE OF LETTERS WHEREBY AUSTRIA PERMITTED IMPORTS OF EC TABLE GRAPES DURING AUSTRIA'S GRAPE HARVEST, WHEN IMPORTS ARE NORMALLY RESTRICTED. THE SAME EXCHANGE ALSO GAVE THE EC 50 PERCENT OF AUSTRIA'S GLOBAL WINE IMPORT QUOTA. AUSTRIAN AMBASSADOR REITERER TOLD GUNDELACH THAT AUSTRIA WAS ELIMINATING BOTH THESE CONCESSIONS THAT THIS GOVERNMENT WAS IN THE PROCESS OF DETERMINING IF ADDITIONAL MEASURES WOULD BE NEEDED TO PREVENT FURTHER DETERIORATION OF AUSTRIA'S TRADE BALANCE WITH THE EC. GUNDELACH REPORTEDLY COMMENTED THAT HE FOUND IT UNDERSTANDABLE THAT COUNTRIES WOULD REACT IN THIS MANNER WHEN THEIR FOREIGN MARKETS HAD BEEN HURT.

4. OUR SOURCE TOLD US THAT AUSTRIA WOULD HAVE PREFERRED TO RETALIATE ON AUTOMOBILES BUT COULD NOT DO SO WITHOUT VIOLATING THE FREE TRADE AGREEMENT. AUSTRIA DECIDED TO TAKE ITS ACTION ON AGRICULTURAL PRODUCTS BECAUSE THEY ARE NOT COVERED BY THE AGREEMENT ITSELF AND ALSO BECAUSE IT SEEMED MORE APPROPRIATE TO RETALIATE ON AGRICULTURAL PRODUCTS.

5. HE SAID THAT AUSTRIAN FARMERS ARE BITTER ABOUT THE BEEF IMPORT BAN AND THAT THERE IS MOUNTING AMONG THEM FOR FURTHER RETALIATION. THEY MAY TRY TO MOUNT A BOYCOTT AGAINST CERTAIN TYPES OF EC FARM MACHINERY, FOR WHICH AUSTRIA IS ONE OF THE EC'S MORE IMPORTANT CUSTOMERS.

6. COMMENT: THE EXCHANGE OF LETTERS BETWEEN AUSTRIA AND THE COMMUNITY (DATED JULY 21, 1972) LIMITED OFFICIAL USE

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INVOLVED "AUTONOMOUS" GRANTS OF CONCESSIONS BY EACH SIDE. THE EC PROMISED SPECIAL TREATMENT OF AUSTRIAN BEEF. THE AUSTRIA GOVERNMENT PROBABLY FEELS THAT THIS PROMISE HAS BEEN VIOLATED, AND, FURTHER, THAT WITHDRAWAL OF SOME ITS "AUTONOMOUS" CONCESSION (ON EC GRAPES AND WINE) IS APPROPRIATE RETALIATION. END COMMENT. MYERSON

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Disposition Approved on Date:
Disposition Authority: golinofr
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Disposition Date: 28 MAY 2004
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